

AR23



M^CINTYRE
PORCUPINE MINES LIMITED

ANNUAL REPORT
1970



ANNUAL MEETING

The Annual and General Meeting of Shareholders will be held at 10:00 o'clock a.m. (Toronto time) on Thursday, May 6th, 1971 in the Alberta Room, Royal York Hotel, Toronto, Ontario.

CONTENTS

Corporate data	2
Directors, officers, managers	3
Financial summary	4
Directors' report	5
Consolidated earnings	15
Consolidated retained earnings	15
Consolidated balance sheet	16-17
Consolidated investments	18
Consolidated source and application of funds	19
Auditors' report	20
Notes to consolidated financial statements	21
Coal operations	
Summary of expenditures	23
Statement of deferred mine development	23
The McIntyre Mine	
Statement of operating results	24
Ore reserves	25
Ten year review	26-27
Exploration offices	28



Capital Stock

Authorized: 3,000,000 shares without par value
Issued: 2,424,482 shares

Location of Mines

The McIntyre Mine, Schumacher, Ontario
The Madeleine Mine, Ste. Anne des Monts, Quebec
McIntyre Coal Mines, Smoky River, Alberta

Executive and Head Office

Suite 1200, 55 Yonge Street
Toronto 1, Ontario

Auditors

Price Waterhouse & Co.
Chartered Accountants, Toronto, Ontario

Transfer Agents

Canada Permanent Trust Company, Toronto, Ontario
and Calgary, Alberta
Bankers Trust Company, New York, N.Y.

Registrars

Crown Trust Company, Toronto, Ontario
and Calgary, Alberta
The Chase Manhattan Bank (National Association),
New York, N.Y.

Directors

- D. L. BOHANNAN, Calgary, Alberta
Vice-President, Operations, Canadian Superior Oil Ltd.
- F. R. BURTON, Toronto, Ontario
President, Alminex Limited
- *M. A. COOPER, Toronto, Ontario
President and Managing Director, Falconbridge Nickel Mines Limited
- N. F. W. H. D'ARCY, London, England
President, Locana Corporation Limited
- *A. E. FELDMAYER, Calgary, Alberta
President and Managing Director, Canadian Superior Oil Ltd.
- *J. K. GODIN, Toronto, Ontario
President and Chief Executive Officer of the Company
- J. O. HAMBRO, London, England
Chairman, Hambros Bank, Limited
- *H. B. KECK, Houston, Texas
President, The Superior Oil Company
- W. M. KECK, JR., Los Angeles, California
*Director and Member of the Finance Committee,
The Superior Oil Company*
- SENATOR THE HON. E. C. MANNING, P.C., C.C., Edmonton, Alberta
President, M & M Systems Research Ltd.
- D. G. C. MENZEL, Toronto, Ontario
Partner, Campbell, Godfrey and Lewtas
- G. H. STEER, Edmonton, Alberta
Partner, Milner & Steer
- * Member of the Advisory Committee

Officers

- M. A. COOPER, *Chairman of the Board*
- J. K. GODIN, *President and Chief Executive Officer*
- J. B. ANDERSON, *Vice-President Operations*
- W. P. HAMMOND, *Vice-President Exploration*
- W. T. KILBOURNE II, *Vice-President Corporate Affairs*
- F. T. MCKINNEY, *Corporate Secretary*
- A. G. GOODEVE, *Treasurer*

Division Managers

- J. A. PLAXTON, *Metals Division, Toronto, Ontario*
- L. G. PRICE, *Coal Division, Grande Cache, Alberta*

Mine Managers

- A. A. ADAMSON, *The McIntyre Mine, Schumacher, Ontario*
- G. E. LACAILLE, *The Madeleine Mine, Ste. Anne des Monts, Quebec*
- W. MURRAY, *McIntyre Coal Mines, Smoky River, Alberta*



SUMMARY

	1970	1969
Net income	\$ 5,429,000	\$ 7,326,000
Per share	\$2.24	\$3.06
Dividends	\$ 4,844,000	\$ 4,780,000
Per share	\$2.00	\$2.00
Investments		
At cost	\$107,589,000	\$117,659,000
Per share	\$44.38	\$49.22
At market value	\$268,233,000	\$330,897,000
Per share	\$110.64	\$138.41
Production		
Copper - pounds	10,167,400	10,812,900
Gold - ounces	104,270	103,400
Silver - ounces	95,435	88,300
Raw Coal - long tons	977,129	-
Clean Coal - long tons	420,276	-

DIRECTORS' REPORT

To the Shareholders:

This is the fifty-ninth annual report of your Company.

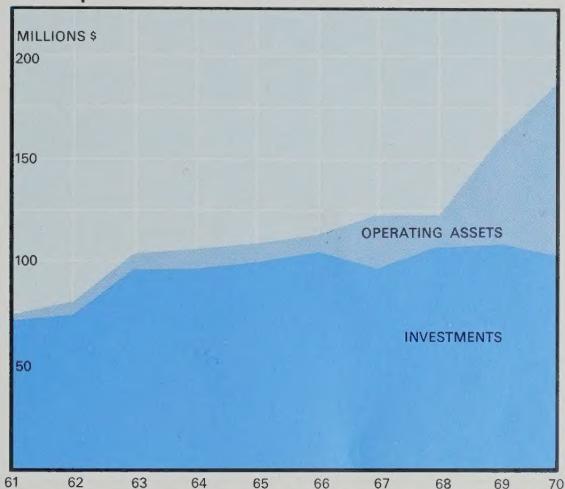
Net earnings for the year amounted to \$5,429,000, or \$2.24 per share, including an extraordinary gain on sale of investments of \$747,000, or 31 cents per share. This compares with \$7,326,000 or \$3.06 per share in 1969. The reduction in earnings was largely attributable to lower copper prices and the unpegging of the Canadian dollar.

Investment income at \$7,050,000 was slightly lower than the \$7,188,000 received in 1969. The market value of investments at December 31, 1970, was \$268 million or \$111 per share, compared with \$330 million or \$138 per share at the end of 1969.

Net earnings do not include any profit or loss from the Smoky River coal mine which was still in its preproduction period at December 31, 1970.



Composition of Total Assets



Net Earnings and Dividends



One of McIntyre's 85 car unit trains winding through the Rocky Mountain foothills of Alberta on its way to Vancouver with 8,000 tons of coal.

Smoky River Coal Division

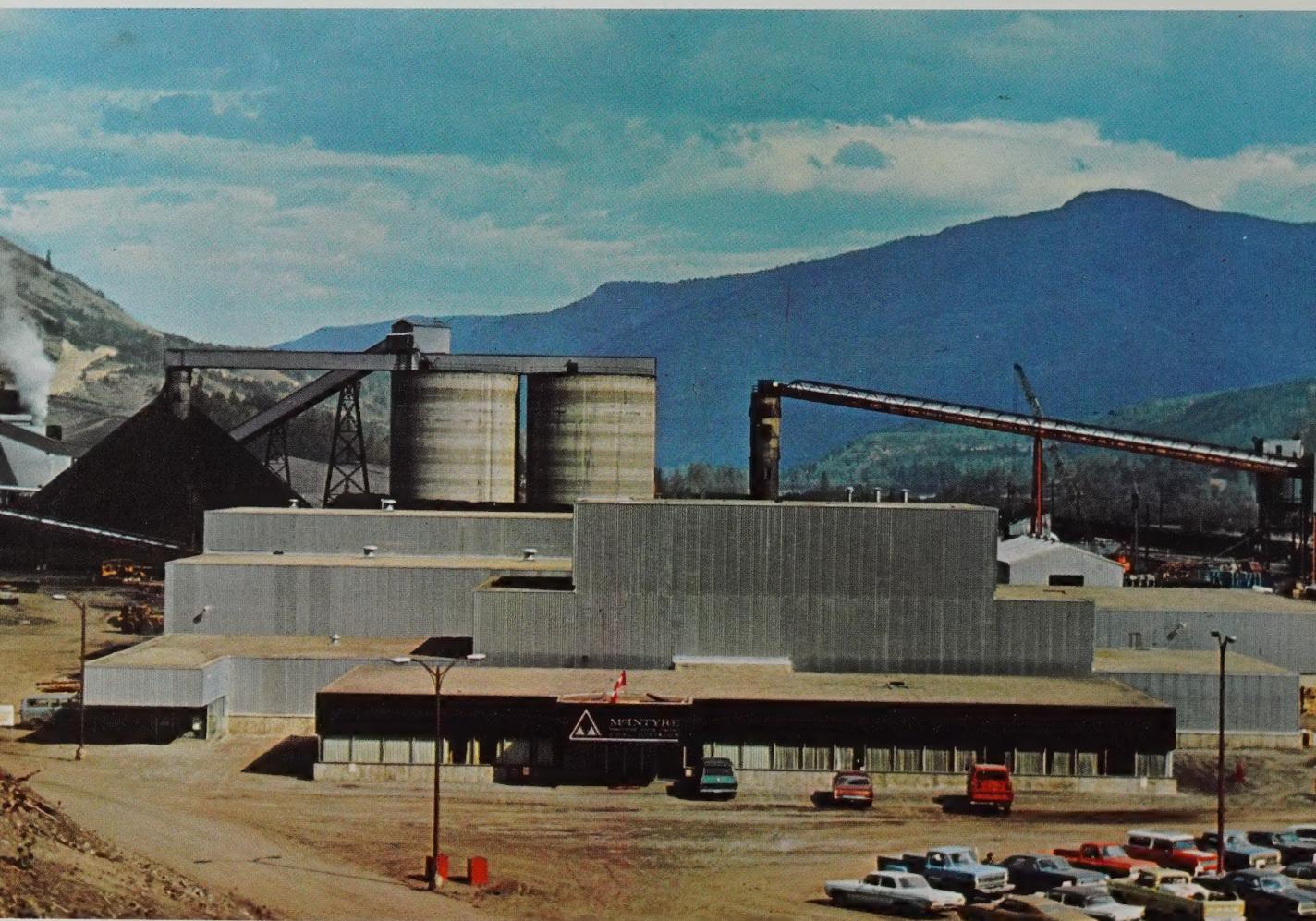
The third quarter saw the completion of construction at the Smoky River mine site. This was essentially on schedule. Underground development continued throughout the year and the tonnages of raw coal produced showed steady growth. The preparation plant started limited operation in August.

Despite this progress the scheduled production of raw and clean coal was not achieved. The main problem was a continuing shortage of qualified coal miners. In addition, there were equipment failures underground and start-up difficulties in the preparation plant. Corrective measures have been undertaken.

All production and related costs, less revenue from coal production, were treated as deferred mine development.

Underground development amounted to 176,132 feet, and this produced 977,129 long tons of raw coal. The preparation plant treated 622,593 long tons of raw coal and turned out 420,276 long tons of clean coal. Between April and December 98 unit trains moved 678,816 long tons of raw and clean coal to Neptune Terminals in Vancouver for shipment to Japan.

The exploration program on the No. 9 mine area west of Sheep Creek was completed. A report by our consultants indicates that the reserves in this area can support an open pit mine





The heart of the preparation plant at Smoky River.

operation at a production rate of approximately three million tons per year. Coal quality is comparable to that of the No. 2 and 5 mines. Capital and operating costs including sufficient funds for necessary environmental control and reclamation are being studied. Negotiations are presently underway for the sale of this coal to Japanese customers.

During the latter part of 1970 McIntyre acquired a controlling interest in Copton Excol Ltd., the holder of 36,480 acres adjacent to the Smoky River coal properties. Preliminary exploration

on these leases indicates very large reserves of low volatile coal. The area will be investigated in greater detail during 1971.

Labour turnover has been high but is declining. A stabilizing influence is the attractive community of Grande Cache. The town has acquired an air of permanence, with paved streets, landscaped lots, school, hospital, recreation and shopping centre. A new community church and recreation centre will be completed this year.

The Company's modern coal handling facility in Vancouver has operated most efficiently. It is gratifying that the elaborate dust control system has been fully effective. The facility is managed by Neptune Terminals Ltd.

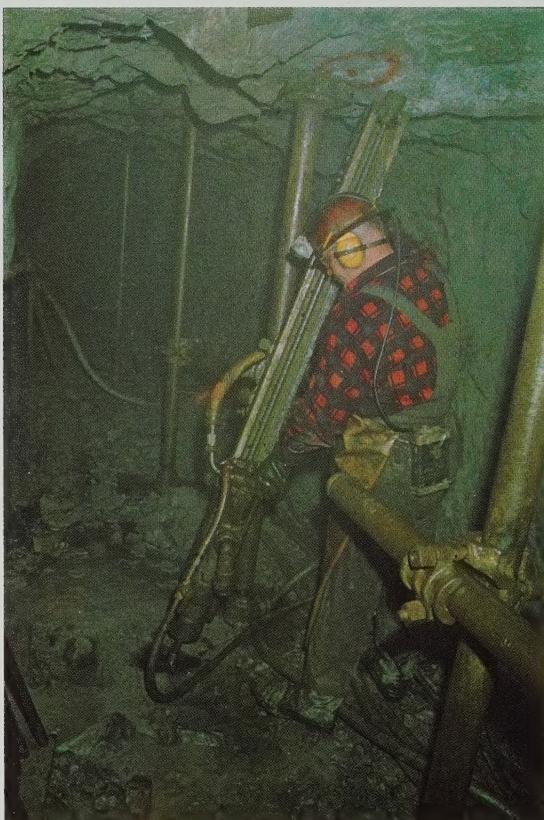
The photograph at left shows the Smoky River Coal Division mine office and mine dry in the foreground with the preparation plant in the background at left, the coal storage silos in centre and part of the coal conveyor system.

McIntyre Mine

During the year 751,830 tons of copper ore were milled, from which 10,167,400 pounds of copper, 16,112 ounces of gold and 86,411 ounces of silver were recovered. Gold ore milled totalled 310,170 tons, for a recovery of 88,158 ounces of gold and 9,024 ounces of silver. The value of metals produced was \$9,279,000. Operating income after write-offs, and including Emergency Gold Mining Assistance, was \$962,000.

Tonnage of copper ore treated showed a slight increase, but the continuing shortage of experienced gold miners resulted in a decrease in the amount of gold ore milled.

By agreement with Westfield Minerals Limited, the lease on their adjoining property was further expanded to cover the downward extension of the McIntyre copper zone for an additional 1625 feet below the 3875' level.



The surface diamond drilling program initiated in 1969 was completed during the year. Nothing of economic importance was encountered.

Development

In the copper mine, development totalled 14,454 feet, comprising 12,916 feet of lateral work and 1,538 feet of raising. Of the above total 10,875 feet were for stope preparation and 3,579 feet for permanent openings. Diamond drilling totalled 61,025 feet.

In the gold mine, development consisted of 1,832 feet of drifting and cross-cutting, of which 389 feet were in ore averaging 0.338 ounce per ton over a width of 8.8 feet. Diamond drilling totalled 28,859 feet.

Ore Reserves

Copper ore reserves at year end were estimated at 3,620,000 tons averaging 0.76%, compared with 4,337,000 tons at 0.73% in 1969. Approximately one million tons were deleted from reserves as sub-economic due to the sharp decline in the price of copper. Most of this tonnage will be available in the event of future price improvement.

Gold ore reserves decreased by 107,000 tons and are now estimated at 580,000 tons with an average grade of 0.321 ounce per ton.

*Longhole drilling at the McIntyre mine,
Schumacher, Ontario.*

*Picture shows load-haul-dump
operation at the Schumacher mine.*



*The McIntyre mine,
Schumacher, Ontario.*



Falconbridge

Falconbridge earnings for 1970 were \$43,879,000 or \$8.86 per share. These were the second highest in the Company's history. McIntyre's interest in these earnings, through its 37.1% holding of Falconbridge, was equivalent to \$6.71 per McIntyre share. Dividends received from Falconbridge were equivalent to \$2.65 per McIntyre share.

Metal sales and other operating revenues increased by \$23,000,000 in 1970 to an all-time high of \$160,674,000.

Exploration and Research and Development expenditures at \$13,727,000 were \$5,000,000 greater than in 1969, reflecting the acceleration of the Company's activity in these areas.

Highlights of 1970 were the substantial progress made on new projects, an increase in ore reserves to the highest point in the Company history, and

the development of new markets for a broadening product line.

Efforts were concentrated on five projects scheduled for initial operation during 1971: the ferronickel complex of Falconbridge Dominicana; the nickel-iron refinery at Falconbridge; Manibridge nickel mine in northern Manitoba; the Oamites copper-silver mine in South-West Africa and the Western Platinum project in South Africa. Other major programs included continuing exploration and development at the Raglan nickel property in the Ungava region of Quebec, and engineering studies for the new Falconbridge nickel-copper refinery to be built at Becancour on the south shore of the St. Lawrence River.

The recently completed Falconbridge nickel-iron refinery in the Sudbury, Ontario area with the Falconbridge minesite and town in the background.





The Madeleine Mine in winter

Madeleine Mines Ltd.

During 1970, the first full year of operation, Madeleine earned \$2,331,000 or 50¢ per Madeleine share. Earnings were seriously affected in the last half of the year by the sharp decline in copper prices and the necessary adjustment to inventory values.

A total of \$4,100,000 has been provided out of 1970 cash flow for repayment of the Company's income bonds in March, 1971. A balance of \$7,350,000 will remain outstanding.

Production for the year totalled 19,674,115

pounds of copper and 197,768 ounces of silver from the milling of 848,570 tons of ore. Gross value of metals produced was \$11.7 million.

Underground exploration was successful in outlining additional ore which was sufficient to maintain reserves. At December 31, 1970, ore reserves totalled 5,103,965 tons grading 1.30% copper.

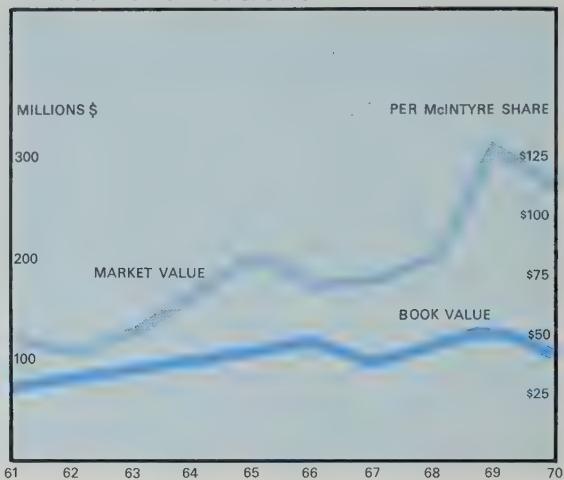
Investments

The major change in the Company's investment portfolio during the year was the sale of \$10 million Madeleine Mines 5% income bonds on which was realized a gain of \$747,000.

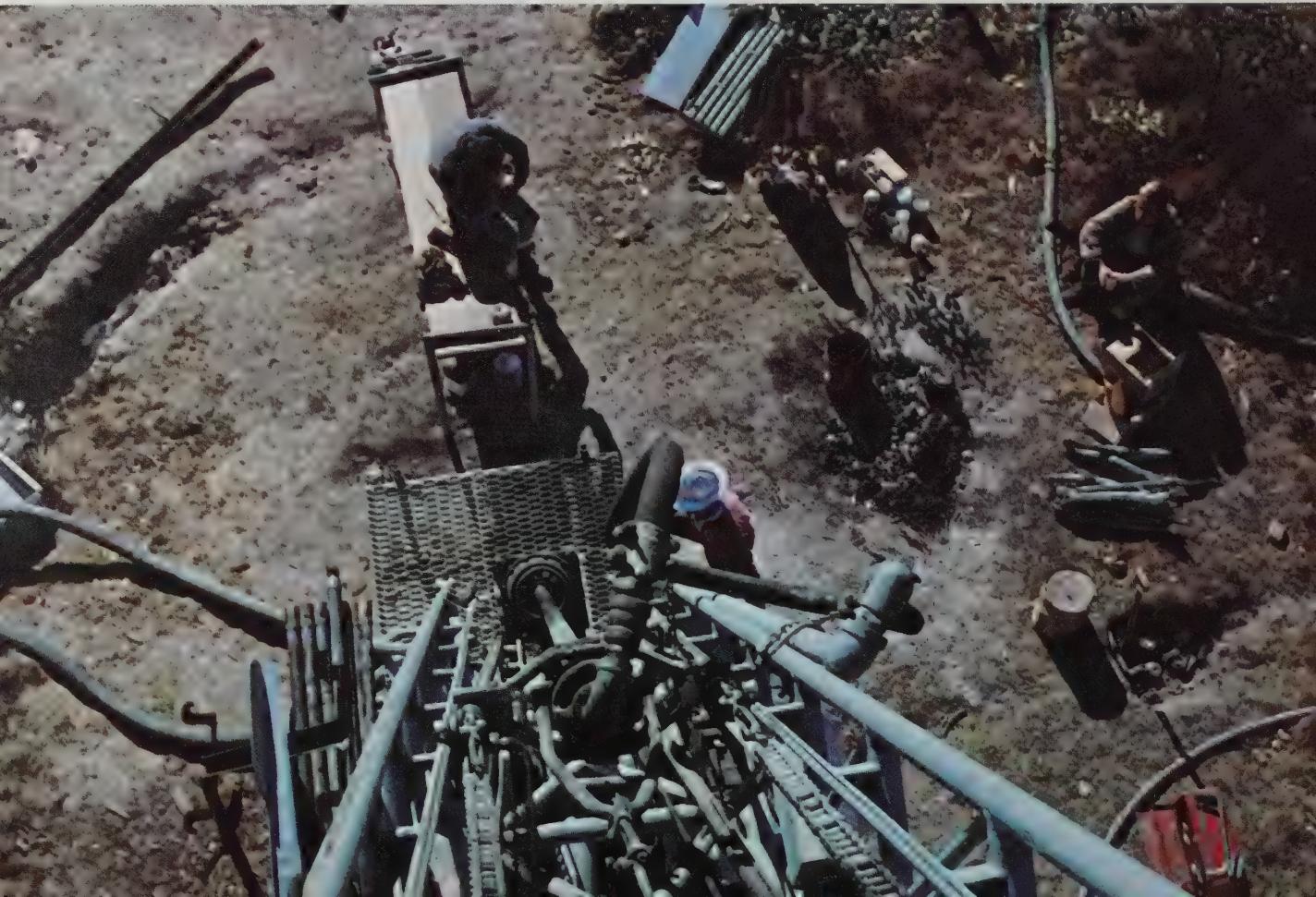
In March, 1970, 273,973 Madeleine shares were received on a capital distribution by Frobex Limited, which increased the Company's equity in Madeleine from 30.6% to 36.4%. The increase in book value of the Company's share investment in Madeleine was accompanied by a corresponding decrease in its investment in Frobex.

At year end the book value of the Company's portfolio was \$107,589,000, of which 93% (\$100,187,000) represented its investment in Falconbridge, and 5% (\$5,614,000) its investment in Madeleine.

Investment Portfolio



Bird's eye view of a McIntyre diamond drill rig operating in Western Australia.



Exploration

McIntyre's exploration continued actively in Canada, the United States and Australia. A joint venture program with Falconbridge was also carried out in Africa.

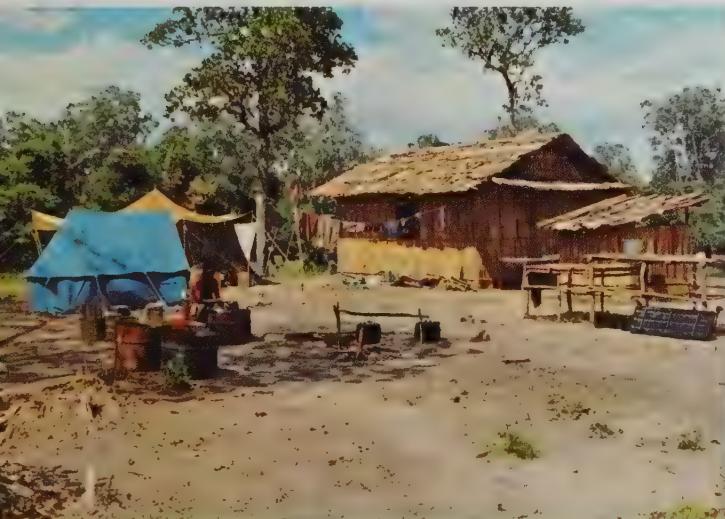
A search for base metals in Canada was concentrated in British Columbia and Ontario.

A major program was devoted to the acquisition and appraisal of coal deposits in Alberta and British Columbia. Initial results were encouraging.

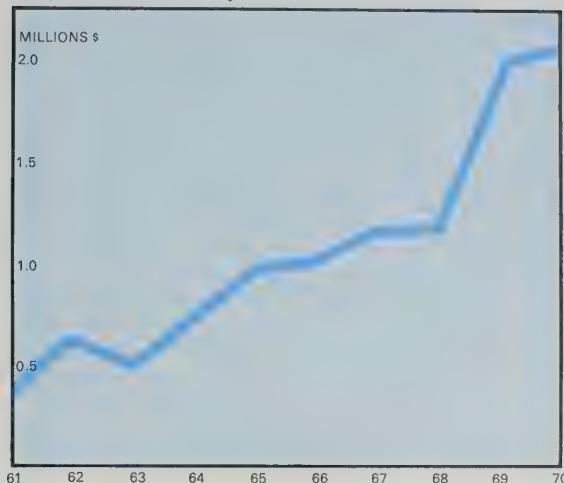
In the Berland River area significant reserves of low volatile coal were outlined in one section of the property, but coking quality was inferior to that of Smoky River coal. However, further work on the property is warranted.

Efforts in the United States were directed towards the acquisition of porphyry-type copper and molybdenite deposits. Several prospects were tested by diamond drilling but were not of economic grade. In the current year drilling will be undertaken on an interesting copper prospect in Arizona.

Contrasting climates experienced by McIntyre exploration crews: 100° F plus in New Guinea; minus 50° F in northern Canada.



Exploration Expenditures



Australian activities were largely concentrated in the nickel belt of Western Australia where our large claim holdings are being systematically investigated.

Employees

Good employee relations continued throughout the year. There are now approximately 1,450 McIntyre employees in Canada and elsewhere. The Madeleine payroll is 201. During the summer months, 118 students were employed by the Company.



The Schumacher, Smoky River and Madeleine employees are represented by the United Steelworkers of America. Labour agreements are in effect until 1972.

The annual meeting of the Quarter Century Club was held at Schumacher, Ontario, on November 7, 1970. Ten new members were initiated, making a total of 316 employees who have received recognition for long service to the Company.

Shareholders

At year end 2,972 shareholders of record held 2,424,482 shares of the Company's issued and outstanding capital stock, compared with 2,390,682 shares held by 3,190 shareholders at the end of 1969. The increase of 33,800 shares represents purchases by employees under the Company's stock option plan.

Outlook

At the McIntyre and Madeleine operations the production of copper and gold should approximate the levels maintained throughout 1970. The earnings from these mines will be mainly dependent on copper prices. Profits from the coal

division will be related closely to the solution of the problems cited earlier in this report and the attainment of full production.

For the longer term the situation is more positive. The Schumacher Division and Madeleine mine are expected to maintain current production levels for some years to come. The demand for high grade metallurgical coal is expected to remain strong and, with McIntyre's large reserves, a substantial expansion of the Coal Division can be anticipated. Falconbridge is continuing to expand its operations on a world-wide basis.

Acknowledgements

Your Directors extend their warm thanks and appreciation to all employees for their splendid efforts throughout the year.

On Behalf of the Board of Directors



President and Chief Executive Officer.

Toronto, March 16, 1971.



CONSOLIDATED EARNINGS

	Year ended December 31	
	1970	1969
Revenue		
Metal production	\$ 9,279,000	\$ 12,092,000
Falconbridge dividends	6,434,000	6,434,000
Other dividends and interest	616,000	754,000
	<u>16,329,000</u>	<u>19,280,000</u>
Expenses		
Production costs less Emergency Gold Mining Assistance	7,909,000	7,970,000
Exploration	2,051,000	1,990,000
Administrative and general	1,147,000	1,033,000
Depreciation and amortization (note 3)	562,000	516,000
Interest	290,000	—
	<u>11,959,000</u>	<u>11,509,000</u>
Deferred income taxes (note 4)	4,370,000	7,771,000
	<u>(312,000)</u>	<u>445,000</u>
Net earnings before extraordinary item	4,682,000	7,326,000
Gain on sale of investment	747,000	—
NET EARNINGS	<u>\$ 5,429,000</u>	<u>\$ 7,326,000</u>
NET EARNINGS PER SHARE (1970 includes extraordinary item 31¢)	<u>\$2.24</u>	<u>\$3.06</u>

CONSOLIDATED RETAINED EARNINGS

	Year ended December 31	
	1970	1969
Balance – beginning of year	\$120,280,000	\$117,734,000
Net earnings	5,429,000	7,326,000
	<u>125,709,000</u>	<u>125,060,000</u>
Dividends (\$2.00 per share in 1970 and 1969)	4,844,000	4,780,000
Balance – end of year	<u>\$120,865,000</u>	<u>\$120,280,000</u>

CONSOLIDATED BALANCE SHEET

Assets

	December 31	
	1970	1969*
Current		
Cash	\$ 33,000	\$ 750,000
Short term deposits	6,625,000	—
Settlements outstanding and inventories (note 2)	2,073,000	2,075,000
Due from Madeleine Mines Ltd.	97,000	1,811,000
Other receivables	<u>2,403,000</u>	<u>1,402,000</u>
	<u>11,231,000</u>	<u>6,038,000</u>
Investments at cost		
Falconbridge Nickel Mines Limited	100,187,000	100,187,000
Madeleine Mines Ltd.	5,614,000	14,342,000
Other	<u>1,788,000</u>	<u>3,130,000</u>
	<u>107,589,000</u>	<u>117,659,000</u>
Fixed (note 3)		
Plant and equipment at cost	53,193,000	39,626,000
Less accumulated depreciation	<u>9,386,000</u>	<u>9,035,000</u>
	<u>43,807,000</u>	<u>30,591,000</u>
Other		
Mine supplies at cost	1,908,000	571,000
Deferred mine development (notes 1 and 3)	23,836,000	12,079,000
Employee housing loans (note 1)	<u>1,468,000</u>	<u>—</u>
	<u>27,212,000</u>	<u>12,650,000</u>
	 <u>\$189,839,000</u>	 <u>\$166,938,000</u>

* Reclassified in some instances to conform with 1970 presentation.



(Incorporated under the laws of the Province of Ontario)
AND SUBSIDIARY COMPANIES

Liabilities

	December 31	
	1970	1969*
Current		
Accounts payable and accrued liabilities	\$ 3,904,000	\$ 5,287,000
Income and other taxes	—	249,000
5½ % Notes due within one year	<u>1,173,000</u>	<u>—</u>
	<u>5,077,000</u>	<u>5,536,000</u>
Long Term (note 1)		
Bank loan	49,900,000	30,952,000
5½ % Notes due 1972 to 1978	<u>3,651,000</u>	<u>2,361,000</u>
	<u>53,551,000</u>	<u>33,313,000</u>
Deferred Income Taxes (note 4)	<u>1,160,000</u>	<u>1,510,000</u>
Shareholders' Equity		
Capital stock (note 5)		
Authorized – 3,000,000 shares without par value		
Issued – 2,424,482 shares (1969 - 2,390,682)	9,186,000	6,299,000
Retained earnings	<u>120,865,000</u>	<u>120,280,000</u>
	<u>130,051,000</u>	<u>126,579,000</u>

Approved by the Board:

J. K. GODIN, Director.

A. E. FELDMEYER, Director.

\$189,839,000 \$166,938,000

CONSOLIDATED INVESTMENTS

December 31

	1970			1969		
	% of issued security	Cost	Market value	% of issued security	Cost	Market value
Securities having a quoted market value						
FALCONBRIDGE NICKEL MINES LIMITED (A) 1,838,201 shares	37.1	\$100,187,000	\$260,105,000	37.2	\$100,187,000	\$306,979,000
MADELEINE MINES LTD. (B) 1,712,208 shares (1,438,235 in 1969)	36.4	4,280,000	4,794,000	30.6	2,842,000	8,773,000
FROBEX LIMITED 1,000,000 shares	28.6	50,000	220,000	28.6	1,488,000	1,500,000
OPEMISKA COPPER MINES (Quebec) LIMITED 96,000 shares	1.7	942,000	984,000	1.7	942,000	1,320,000
OTHER		<u>100,000</u>	<u>100,000</u>		<u>100,000</u>	<u>225,000</u>
		<u>105,559,000</u>	<u>\$266,203,000*</u>		<u>105,559,000</u>	<u>\$318,797,000*</u>
Securities not having a quoted market value, at cost						
MADELEINE MINES LTD. \$1,450,000 Bonds at par value (\$12,500,000 in 1969)	12.7	1,334,000		100.0	11,500,000	
FIRST MORTGAGES		390,000			247,000	
OTHER		<u>306,000</u>			<u>353,000</u>	
		<u>\$107,589,000</u>			<u>\$117,659,000</u>	

* Total market value of investments (including securities not having a quoted market value at cost) is \$268,233,000 (1969 \$330,897,000).

The Company's share of Falconbridge and Madeleine earnings is included in revenue only to the extent of dividends received.

NOTES

(A) Falconbridge Nickel Mines Limited

McIntyre's interest in Falconbridge 1970 earnings exceeded dividends received by \$9,856,000 equal to \$4.07 per McIntyre share against revised 1969 figures of \$11,044,000 or \$4.62 per share. Since acquisition of its shares McIntyre's interest in earnings retained by Falconbridge amounts to \$49,182,000 or \$20.29 per McIntyre share.

In 1970 Falconbridge changed from a cost to an equity basis of accounting for the earnings of certain of its subsidiaries; as a consequence of this change the above amounts have been increased by \$408,000 (1969 \$419,000) and since acquisition by \$2,913,000.

(B) Madeleine Mines Ltd.

No dividends were received in 1970 or 1969. McIntyre's interest in Madeleine 1970 earnings amounted to \$848,000 or \$0.35 per McIntyre share (1969 \$579,000 or \$0.24 per share). Since acquisition of its shares McIntyre's interest in earnings retained by Madeleine amounts to \$1,427,000 or \$0.59 per McIntyre share.

In 1970 McIntyre sold \$10,000,000 5% first mortgage income bonds of Madeleine Mines Ltd. of which \$3,581,000 will be redeemed in April 1971. Under agreements with purchasers McIntyre may be required to repurchase up to \$6,419,000 between April 15 and May 2, 1971.



CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
	1970	1969*
Source of Funds		
Net earnings before extraordinary item	\$ 4,682,000	\$ 7,326,000
Add depreciation and amortization	562,000	516,000
deferred income taxes	(350,000)	445,000
	<hr/>	<hr/>
	4,894,000	8,287,000
Bank financing	18,948,000	30,952,000
5½ % Notes	1,290,000	2,361,000
Sale of investments	10,817,000	—
Shares issued under stock option plan	2,887,000	114,000
	<hr/>	<hr/>
	38,836,000	41,714,000
 Application of Funds		
Dividends to shareholders (\$2.00 per share in 1970 and 1969)	4,844,000	4,780,000
Fixed assets and deferred mine development	25,535,000	37,671,000
Employee housing loans	1,468,000	—
Investment in Madeleine Mines Ltd.	—	6,289,000
Mine supplies and other applications	1,337,000	104,000
	<hr/>	<hr/>
	33,184,000	48,844,000
Increase (decrease) in working capital	5,652,000	(7,130,000)
Working capital – beginning of year	502,000	7,632,000
Working capital – end of year	<hr/>	<hr/>
	\$ 6,154,000	\$ 502,000

* Reclassified in some instances to conform with 1970 presentation.

AUDITORS' REPORT

PRICE WATERHOUSE & CO.
CHARTERED ACCOUNTANTS

P.O. BOX 51
TORONTO - DOMINION CENTRE
TORONTO 111

January 26, 1971.

To the Shareholders of
McIntyre Porcupine Mines Limited:

We have examined the consolidated balance sheet and consolidated statement of investments of McIntyre Porcupine Mines Limited and its subsidiaries as at December 31, 1970 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The consolidated financial statements of McIntyre Porcupine Mines Limited and its subsidiaries for the year ended December 31, 1969 were examined by other chartered accountants.

Price Waterhouse & Co.
Chartered Accountants.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1970

1. COAL OPERATIONS

(a) Coal Mine -

The Company's earnings include no profit or loss from the Smoky River coal mine which was deemed to be still in its preproduction period at December 31, 1970. Development, production and other expenses relating to the new mine totalled \$15,982,000 in 1970. Net proceeds from the sale of unwashed coal and the production of clean coal in the latter part of the year of \$6,400,000 have been credited to these expenditures. The balance of \$9,582,000 has been carried forward as deferred mine development and will be amortized over the estimated life of the mine following commencement of production.

(b) Capitalization of interest -

The Company incurred interest costs of \$4,015,000 in 1970 (1969 \$1,126,000). Of this amount \$290,000 in 1970 (1969 nil) was charged to earnings and the balance, which is applicable to coal operations, has been capitalized as part of fixed assets and deferred mine development. Following commencement of production, interest will be charged against earnings.

(c) Financing -

The capital costs of the Company's coal operations have been financed by a demand bank loan, to be repaid from the proceeds of production, and the financing of certain mining equipment, purchased in the United Kingdom, through the issue of 5½ % Notes payable in sterling funds. At December 31, 1970 £1,924,265 of such notes were outstanding of which £469,332 mature in 1971.

(d) Commitments and contingencies -

(i) McIntyre has contracted to deliver 29½ million long tons of metallurgical coking coal to the Japanese steel industry over a 15 year term which commenced in 1970.

(ii) The Company has guaranteed mortgages on employee housing in Grande Cache which amounted to \$6,671,000 at December 31, 1970.

In addition the Company has advanced \$1,468,000 to employees to assist them in the purchase of houses. These are interest free loans which, after five years, will be written off at the rate of 10% per year so long as the purchaser remains an employee of the Company.

(iii) The Company is obligated to spend \$1,000,000 by December 31, 1972 in exploration of a coal property belonging to a subsidiary.

(iv) A long term lease agreement for the supply of rail cars for unit train transportation of coal to Vancouver provides for minimum rental charges of \$578,000 in any one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SETTLEMENTS OUTSTANDING AND INVENTORIES

These are valued at estimated net realizable value and comprise:

	December 31	1970	1969
Metal settlements outstanding and inventories	\$1,031,000	\$2,075,000	
Clean metallurgical coking coal	932,000	-	
Houses for sale to employees	110,000	-	
	<u>\$2,073,000</u>	<u>\$2,075,000</u>	

In estimating net realizable value metal prices are based on market prices prevailing at December 31, 1970 and coal prices are based on a long term sales contract.

3. DEPRECIATION AND AMORTIZATION

Fixed assets are depreciated on a straight-line basis over their estimated productive life. Depreciation is not charged prior to the commencement of production.

Development expenditures relating to new mines and major expansion of existing mines are deferred and amortized on a unit of production basis following commencement of production.

Deferred mine development at December 31, 1970 was as follows:

Smoky River mine	\$20,865,000
Other coal properties	2,576,000
Schumacher copper mine	395,000
Total	<u>\$23,836,000</u>

4. INCOME TAXES

Under existing tax legislation dividends from Falconbridge Nickel Mines Limited and other Canadian corporations are not taxable in McIntyre's hands.

The Company follows the deferred income tax basis of accounting which results in a deferred income tax credit to earnings in 1970 of \$350,000 (less other charges \$38,000) compared with a charge of \$445,000 in 1969.

5. CAPITAL STOCK

During 1970, 33,800 shares were issued for \$2,887,400 cash under the Executive and Key Employees Stock Option Plan. Of the 150,000 shares set aside in 1958 under the plan 125,450 had been issued to December 31, 1970 and at that date there were options outstanding for 12,500 shares, at \$110.20 per share, granted on February 5, 1969 and expiring on February 4, 1979.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of the Company's directors and senior officers amounted to \$311,000 for 1970 and \$270,000 for 1969.



COAL OPERATIONS

Smoky River, Alberta

Summary of Expenditures

December 31, 1970

SMOKY RIVER MINE

Underground equipment	\$ 13,119,000
Surface plant and equipment	21,132,000
Mine development	20,865,000
Housing costs (net)	1,591,000
Material and spares inventory	1,374,000
Total Smoky River Mine	<u>58,081,000</u>
VANCOUVER TERMINAL FACILITIES	8,429,000
DEVELOPMENT – OTHER PROPERTIES	2,576,000
TOTAL	<u>\$ 69,086,000</u>

Statement of Deferred Mine Development

	Year ended December 31	
	1970	1969
Balance – beginning of year	\$ 11,283,000	\$ 2,057,000
Add expenditures during the year –		
Salaries, wages and employee benefits	6,008,000	1,716,000
Materials, supplies and other costs	4,918,000	3,829,000
Engineering, campsite and temporary facilities	2,736,000	2,922,000
General and administration	830,000	403,000
Interest	1,490,000	356,000
	<u>15,982,000</u>	<u>9,226,000</u>
Deduct revenue from coal produced	8,416,000	–
Less freight and other direct costs	2,016,000	–
	<u>6,400,000</u>	<u>–</u>
Net expenditure for the year	<u>9,582,000</u>	<u>9,226,000</u>
Balance – end of year	<u>\$ 20,865,000</u>	<u>\$ 11,283,000</u>

THE McINTYRE MINE

Schumacher, Ontario

Statement of Operating Results

	Year ended December 31	
	1970	1969
METAL REVENUE		
Copper operations	\$ 6,040,000	\$ 8,573,000
Gold operations	3,239,000	3,491,000
	9,279,000	12,064,000
Deduct marketing expense	1,123,000	1,258,000
Net revenue	8,156,000	10,806,000
OPERATING COSTS		
Mine development and exploration	1,322,000	1,122,000
Breaking and stoping	4,759,000	4,718,000
Milling	1,557,000	1,499,000
Royalties, provincial and municipal taxes and lease rentals	54,000	306,000
	7,692,000	7,645,000
Deduct Emergency Gold Mining Assistance	906,000	945,000
	6,786,000	6,700,000
OPERATING INCOME before depreciation and amortization	1,370,000	4,106,000
Deduct depreciation and amortization	408,000	382,000
NET OPERATING INCOME	\$ 962,000	\$ 3,724,000
OPERATING STATISTICS		
Tons ore milled – Copper	751,830	741,440
Tons ore milled – Gold	310,170	330,670
Copper produced, lbs.	10,167,400	10,812,900
Gold produced, ozs.	104,270	103,400
Silver produced, ozs.	95,435	88,300
Average revenue per lb. – Copper	52¢	79¢
Average revenue per oz. – Gold	\$36.74	\$37.87



Ore Reserves of the McIntyre Mine

COPPER ORE RESERVES

	1970			1969		
	Tons	Copper Tons	Per Cent	Tons	Copper Tons	Per Cent
Defined by drilling	2,783,565	21,194	0.76	3,684,767	27,032	0.73
Broken	836,745	6,280	0.75	652,645	4,762	0.73
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,620,310	27,474	0.76	4,337,412	31,794	0.73

GOLD ORE RESERVES

	Tons	Fine Ounces Gold	Tons	Fine Ounces Gold
Estimated in place	548,200	178,660	648,000	217,255
Broken ore	32,240	7,945	38,950	9,412
	<hr/>	<hr/>	<hr/>	<hr/>
Average grade per ton		.321		.330

TEN YEAR REVIEW

	1970	1969	1968
PRODUCTION			
Gold, ounces	104,270	103,407	106,457
Copper, in thousands of pounds	10,167	10,813	12,089
FINANCIAL (in thousands)	\$	\$	\$
Production revenue	9,279	12,092	11,339
Investment income	7,797(a)	7,188	7,110
Costs and expenses	9,346	9,003	9,494
Exploration	2,051	1,990	1,208
Depreciation and amortization	562	516	732
Income taxes	(312)	445	285
Net earnings	5,429	7,326	6,730
per share	2.24	3.06	2.82
Dividends paid	4,844	4,780	5,496
per share	2.00	2.00	2.30
Working capital	6,154	502	7,702
Investments	107,589	117,659	111,024
Properties and plant – net (b)	67,643	42,670	5,515
SHAREHOLDERS' EQUITY (in thousands)			
Equity with investments at cost	130,051	126,579	123,919
per share	53.64	52.95	51.86
Equity with investments at market	290,695	339,817	221,996
per share	119.95	142.14	92.91
OTHER DATA			
Shares outstanding	2,424,482	2,390,682	2,389,282
Shareholders	2,972	3,190	3,169
Employees	1,452	1,193	863

(a) Includes gain on sale of investment – \$747,000

(b) Includes deferred mine development



1967	1966	1965	1964	1963	1962	1961
108,881	126,624	161,102	183,176	199,145	224,003	220,639
14,431	14,947	13,689	6,419	1,915	—	—
\$						
13,242	15,343	13,336	9,655	8,197	9,680	8,879
7,123	7,184	7,127	6,013	5,189	4,649	3,111
10,358	10,835	10,631	8,303	7,529	8,033	7,806
1,183	1,004	947	708	510	667	358
1,190	1,055	1,031	392	221	230	272
316	605	165	275	104	68	85
7,318	9,028	7,689	5,990	5,022	5,331	3,469
3.06	3.78	3.22	2.51	2.10	2.24	1.47
6,689	6,438	5,732	4,298	3,817	2,728	2,326
2.80	2.70	2.40	1.80	1.60	1.15	1.00
18,230	3,332	3,358	3,103	2,662	3,967	1,245
99,195	110,390	103,033	99,646	99,014	77,271	69,302
5,374	4,233	4,774	5,595	3,047	2,636	1,264
\$						
122,685	117,873	111,351	108,811	106,876	84,680	72,603
51.35	49.34	46.62	45.57	44.77	35.61	30.69
201,433	184,171	222,364	181,606	141,930	125,053	140,722
84.31	77.09	93.10	76.05	59.46	52.59	59.49
\$						
2,389,282	2,389,182	2,388,382	2,387,982	2,387,082	2,377,737	2,365,487
3,219	3,190	3,529	3,448	4,636	4,665	4,635
888	909	1,017	1,100	1,210	1,354	1,330



MCINTYRE
PORCUPINE MINES LIMITED

EXPLORATION OFFICES

CORPORATE OFFICE:

W. P. HAMMOND, Vice-President Exploration

T. SKIMMING, Chief Exploration Geologist
1200, 55 Yonge St.
Toronto, Ontario, Tel.: (416) 362-4751

FIELD OFFICES:

CANADA

Ontario

A. Skrecky,
McIntyre Porcupine Mines Limited,
P.O. Box 970,
Timmins, Ont.
Tel.: (705) 264-9735

British Columbia

J. W. MacLeod,
McIntyre Porcupine Mines Limited,
312 - 409 Granville Street,
Vancouver, B.C.
Tel.: (604) 685-9815

UNITED STATES

Arizona

McIntyre Mines (Nevada) Limited,
Suite 113, 2030 East Speedway,
Tucson, Arizona 85719.
Tel.: (602) 325-4611

AUSTRALIA

New South Wales

G. B. Darling, Managing Director,
McIntyre Mines (Australia) Pty. Ltd., Tel.: 27-9289
8 - 12 Bridge Street, Tel.: 27-9280
Sydney, 2000.

Western Australia

Jon W. Brien,
McIntyre Mines (Australia) Pty. Ltd., Tel.: 25-9755
St. George's Court,
16 St. George's Terrace,
Perth, 6000.

To the Shareholders:

Net earnings for the first half of 1970 were \$3.4 million or \$1.42 per share compared with \$2.8 million or \$1.18 per share for the first half of 1969. The increase was mostly attributable to higher revenue from sales of metal and a non-recurring profit of \$493,000 realized on the sale of investments.

Dividends of 50¢ per share were paid on March 2 and June 1, 1970.

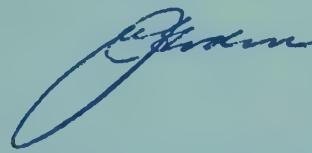
Indicated market value of the investment portfolio at June 30 was \$271.6 million or \$112 per share compared with \$246 million or \$103 per share a year ago.

At the Schumacher Division 5.7 million pounds of copper were recovered to June 30. This compared with 5.2 million pounds for the first six months of 1969. In the gold section 49,702 ounces of gold were recovered compared with 49,890 ounces for the same period of 1969.

At the Smoky River Coal Division in Alberta, plant construction was virtually completed. No major problems were encountered during the testing of the treatment plant and related facilities. To the end of June approximately 190,000 long tons of unwashed coal had been shipped by unit train from the mine-site. Shipments of clean coal are scheduled to begin early in August. About 500 men are currently on the payroll.

Intensive investigation continues on the Company's adjoining coal properties, and on other coal properties in Western Canada.

The Madeleine Mine is operating satisfactorily at rated capacity of 2,500 tons of copper ore per day. For the first half of 1970, earnings were 52.4¢ per Madeleine share.



President and Chief Executive Officer.

Date: July 29, 1970.

AR23

file

INTERIM REPORT TO SHAREHOLDERS

FOR THE SIX MONTHS ENDED
JUNE 30, 1970



SUITE 1200, 55 YONGE ST.
TORONTO, CANADA

McIntyre Porcupine Mines Limited

Consolidated Earnings

(Interim Estimates)

(in \$000's)

	Six months ended June 30	
	1970	1969
	\$	\$
REVENUE		
Metal production	5,383	4,419
Falconbridge dividend	2,757	2,757
Other investment income ..	348	302
	<u>8,488</u>	<u>7,478</u>

EXPENSES

Operating and administration costs	4,658	4,116
Depreciation and amortization	312	288
Exploration	1,092	776
	<u>6,062</u>	<u>5,180</u>
Less E.G.M.A.	510	512
	<u>5,552</u>	<u>4,668</u>
Earnings before extraordinary item	2,936	2,810
Per share	\$ 1.21	\$ 1.18
Gain on sale of investments	493	—
	<u>3,429</u>	<u>2,810</u>
NET EARNINGS	3,429	2,810
Per share	\$ 1.42	\$ 1.18
	<u>3,429</u>	<u>2,810</u>

Consolidated Source and Application of Funds

(Interim Estimates)

(in \$000's)

	Six months ended June 30	
	1970	1969
	\$	\$
SOURCE OF FUNDS		
Net earnings for period ..	3,429	2,810
Non-cash items	312	288
	<u>3,741</u>	<u>3,098</u>
Sale of investments	7,042	—
Bank financing	19,787	8,400
Issue of capital stock ...	2,497	—
Other	—	126
	<u>33,067</u>	<u>11,624</u>
APPLICATION OF FUNDS		
Investment in affiliate ..	—	5,642
Capital expenditures ...	22,392	7,844
Dividends	2,421	2,389
Other	499	42
	<u>25,312</u>	<u>15,917</u>
Increase (decrease) in funds	7,755	(4,293)
Working Capital — beginning of period	533	7,698
Working Capital — end of period	8,288	3,405



J. K. Godin

Address to Shareholders

by

J. K. Godin

President and Chief Executive Officer

FIFTY-EIGHTH
ANNUAL MEETING
MAY 8, 1970



TO THE SHAREHOLDERS:

The Annual Meeting of the Company was held on May 8, 1970. Approximately 87% of the shares were represented in person or by proxy.

The following shareholders were re-elected Directors of the Company:

Messrs. D. L. Bohannan, F. R. Burton, M. A. Cooper, N. F. W. H. D'Arcy, A. E. Feldmeyer, J. K. Godin, J. O. Hambro, H. B. Keck, W. M. Keck Jr., E. C. Manning, D. G. C. Menzel, G. H. Steer.

Price Waterhouse & Co. were appointed auditors of the Company's accounts.

At a subsequent meeting of the Directors, the following officers were appointed:

Chairman of the Board
M. A. Cooper

President and Chief Executive Officer
J. K. Godin

Vice-President Operations
J. B. Anderson

Vice-President Exploration
W. P. Hammond

Vice-President Corporate Affairs
W. T. Kilbourne II

Corporate Secretary
F. T. McKinney

Treasurer
A. G. Goodeve



*Remarks of the President and
Chief Executive Officer*

LADIES AND GENTLEMEN:

I am pleased to welcome you to this fifty-eighth annual meeting of the shareholders of your Company. We realize that your presence here today indicates a real interest in your Company's affairs and we appreciate it. We should also like to express our thanks to the shareholders who were unable to attend but who returned their proxies.

1969 ANNUAL REVIEW

The annual report which has been in your hands for some time reviews the Company's activities in considerable detail and reflects the results of a successful year.

The 1969 earnings increased 8.5 percent over 1968, from \$2.82 per share to \$3.06 per share. The increased earnings were mainly due to higher copper prices.

Dividend payments in 1969 were \$2.00 per share as opposed to \$2.30 per share in 1968.

At December 31, 1969, the market value of the investment portfolio was indicated at \$330 million, compared with \$209 million at the end of 1968.

As at April 30 this year, the market value of the investment portfolio was \$310 million, or \$127.92 per McIntyre share.

1970 FIRST QUARTER

Earnings for the three months to March 31, 1970, were 61¢ per share, compared with 68¢ per share in the first three months of 1969 (both figures after allowance for deferred taxation). Revenue was higher, but this was mainly

offset by increased production and exploration costs.

INVESTMENTS

A year ago I stated that "our improved investment position in Falconbridge Nickel Mines Limited is viewed with continuing satisfaction". I reaffirm that view. The year 1969 was the most successful in Falconbridge history. Record levels were reached in deliveries of nickel and copper, and in sales and operating revenues. As a result, Falconbridge earnings rose to \$9.13 per share, an increase of 84 percent over earnings for 1968 — all this despite a three-months' strike. McIntyre's 37.2 percent interest in the 1969 earnings at Falconbridge, before gain on investments, exceeded the dividends received from Falconbridge in that year by \$10.4 million, or \$4.36 per share of McIntyre. I might mention that as at December 31, 1969, McIntyre's interest in earnings retained by Falconbridge since acquisition of shares in that company, amounted to \$36.8 million. McIntyre's equity investment in Madeleine and Opemiska Copper Mines are also viewed with satisfaction.

HIGHLIGHTS — 1969

If we were to single out the highlights for 1969, they would be: an increase in earnings; the start of production at the Madeleine mine; the good progress made in development and construction at the Smoky River coal properties in Alberta; your Company's expanded exploration activities; and the year's results at Falconbridge, just mentioned.

OPERATIONS Schumacher Division

Production from this division continued during 1969 at capacity, a milling rate of approximately 3,000 tons per day on a ratio of

two tons of copper ore to one ton of gold ore. Recovered metals totalled 10,000,000 pounds of copper, 103,407 ounces of gold and 88,340 ounces of silver. The Schumacher mine contributed to 1969 earnings an operating income of \$3.7 million.

Copper ore reserves at year-end showed improvement and gold ore reserves were also increased slightly over those of the previous year. It should be noted with respect to the gold ore reserves that the classification as ore is entirely dependent on a continuation of the Emergency Gold Mining Assistance Act. If the Act were to be terminated on its expiry date at the end of 1970, the gold section of the mine would be forced to close.

An extensive diamond drilling program is being carried out on the main McIntyre property in the search for additional copper ore. Approximately 700,000 tons is expected to be added to reserves on the adjoining Westfield Minerals property on which a lease was signed early this year.

The labour agreement with the United Steelworkers Union expires on May 31, 1970. Negotiations are at present under way, and it is hoped that a satisfactory agreement will be reached in the near future.

Madeleine Mine

Under McIntyre management, development and construction of the Madeleine mine were completed on schedule and comfortably within budget. Production commenced in June, 1969, and by year-end a total of 8,317,000 pounds of copper had been recovered from the treatment of 402,416 tons of ore. Earnings for the period totalled approximately \$1.9 million or 40¢ per Madeleine share.

The mine is performing well and contributing importantly to the economic and social well-being of the Gaspe district of Quebec. For

the first quarter of 1970 earnings were 27.7¢ per Madeleine share, from the production of 4.7 million pounds of copper. With minor modifications to the milling circuit completed in March, treatment rate has now reached the 2,500 tons per day objective.

Underground exploratory diamond drilling initiated near the end of last year has been expanded. Indicated tonnages of new ore have already resulted and the program is continuing.

Further surface exploration is scheduled for this year and will commence shortly. The program will test geophysical anomalies and areas of copper mineralization outlined last year.

In 1969 a three year labour agreement was negotiated with the United Steelworkers Union. There is a good work force at Madeleine and it comes mainly from the local area.

Smoky River Mine

Satisfactory progress was made during 1969 and on into 1970 in preparing the Smoky River coal properties for production. Up to this time, expenditures are within budget estimates, and the project is essentially on target.

Numerous problems have been experienced, of course, ranging from delays in receipt of materials and equipment to technical mining problems and training of new personnel. The difficulties are being resolved, however, and deliveries of clean coal under the fifteen year contract will commence in August as scheduled. The first unit train shipment of 6,000 tons under a contract for the sale of unwashed coal left the property for North Vancouver on April 7, 1970.

The brief interval between the announcement of the sale of 29.5 million long tons of coal to Japan and this first movement of coal in commercial quantity from the property tends

to minimize the magnitude of the undertaking. In the space of approximately one and a half years, mine planning, development, and construction of the surface plant and related facilities will have been accomplished. In addition, McIntyre financed the construction of the \$8 million Neptune Terminal coal loading facilities at North Vancouver. Moreover, McIntyre's presence in Alberta was instrumental in creating the new town of Grande Cache which provides employees with housing, a hospital, school, recreation centre, and all the other modern amenities. The Company has already erected 350 houses for its employees and 200 of these are now occupied. At the present time there are about 700 men working on the property, of whom 450 are McIntyre employees. During 1969, a three year agreement was reached between the Company and the United Steelworkers of America.

GENERAL

It would seem appropriate at this time to say a word about pollution, a subject of increasing concern. McIntyre shares the general interest in this subject and subscribes fully to the intent of government regulations which are being adopted to provide remedies. In all the undertakings of your Company, land reclamation and controls to provide water and air decontamination are given high priority.

EXPLORATION

The discovery of new mineral deposits is vital to the future of any mining company, and McIntyre plans increasing emphasis on exploration. Aggressive programs are being carried out in Canada, the United States, Australia, and, in partnership with Falconbridge Nickel Mines, in Africa. Your Company maintains a policy of conducting its own basic exploration program, as well as participating in joint ventures with others. We have extended our

search for minerals into other countries where geological, political and economic factors are favourable, and are prepared to expand in this direction if it is justified.

Diamond drilling is in progress on several properties in Canada, and we are currently drilling a copper prospect in the United States and a nickel property in Western Australia. Of interest, also, is the new coal field in the Berland River area of Alberta, which was discovered last year and is now undergoing thorough investigation.

Although mineral exploration becomes more competitive and expensive every year, the rewards can be great and we are confident that McIntyre's continuing efforts utilizing the most advanced techniques and highly trained personnel will be successful.

INDUSTRY ENVIRONMENT White Paper Proposals

And now, a word about our Government's proposals for tax reform. Your Company has already presented a brief in some detail to the Senate Committee on Banking, Trade and Commerce, and will shortly make a further presentation to the House of Commons Standing Committee on Finance, Trade and Economic Affairs. Therefore, my remarks will be of a general nature.

We believe that the most damaging features of the White Paper are that it would substantially increase Government's share of our national income at the expense of the private sector, and that it would increase the tax burden on our resource industries to more than that borne by their international competitors. The first could lose us many of our most able and creative people, and the second will seriously damage a major segment of our economy. Canada's is primarily a resource-based economy, and this is dictated by our geography and our environment.

We realize the difficulty in designing a tax system that would achieve the desired aims of both equity and economic growth. However, the White Paper places more emphasis on welfare and social change than on economic goals. Such measures are self-defeating in the long run by retarding the growth which is the only real source of the additional revenue that the Government is seeking. I am certain that the great majority of Canadians would prefer jobs in an expanding economy to welfare measures.

If the proposals relating to mining are enacted, not only will that industry's taxes be substantially higher than those obtaining in other mineral-producing countries with which we compete in world markets but, in many cases, higher than the taxes borne by other industries in Canada. This can only result in curtailment of mine exploration and development and in decreased investment in mining generally. For an industry that contributes so much in job opportunities, support of secondary industry, development of remote areas, exports and foreign exchange, the Government's proposals must be regarded as singularly shortsighted.

Copper Price Controls

Apart from the White Paper, we are concerned about the recent action of our Government in fixing the price of copper and the amount to be set aside for domestic consumption. To freeze the Canadian copper price at a figure much lower than anywhere else in the world, and to do this by threat of export embargoes, is difficult to understand or justify. And to require set-asides for Canadian fabricators from *Eastern Canada* producers only, calls for some explanation which so far has not been forthcoming.

During the uncertainties of government action, or lack of action, under which we have operated for some years, I always remember the words of a former McIntyre President who

said, "There is no permanent place in the mining industry for pessimists". Therefore, we remain optimistic in our hope that, out of all the discussion and controversy, there will emerge a taxation system and a minerals policy, both of which will be enlightened and fair.

OUTLOOK

Schumacher Mine

As previously noted, the McIntyre mine continues at capacity operation in both the copper and gold sections. The copper mine is in a favourable position with respect to ore, but of immediate concern to the gold mine is continuance of Emergency Gold Mining Assistance which is essential to its future operation. For this year we expect the earnings of this division to be maintained.

Madeleine Mine

The Madeleine mine is running at capacity and satisfactory earnings for 1970 are expected.

Falconbridge

The outlook for Falconbridge is also encouraging. Subject to a favourable Canadian taxation climate, Falconbridge has committed itself to a sharply accelerated schedule of expansion which is designed to increase production of nickel by 1975 to three times the 1969 deliveries. The increased production will result from operations in Canada and the Dominican Republic. The expansion will almost double Falconbridge's copper production as well.

Smoky River Mine

With the commencement of coal deliveries this year the Smoky River coal will make its initial contribution to McIntyre revenues. However, the full impact from this source will not be felt until 1971.

We have large reserves of this high quality metallurgical coal, and with world-wide shortages of this product becoming more and more evident, we believe that these large reserves will become increasingly valuable. Negotiations for further sales are currently in progress, and we expect that agreements will be reached for the sale of additional tonnages which will be substantially higher than those under existing contracts.

All of these favourable factors which I have mentioned will have an important and beneficial effect on McIntyre's future earnings.

ACKNOWLEDGEMENTS

Our progress over the past year was accomplished through diligence and effort by all parties concerned with our operation. Accordingly, I should like to express on behalf of the Board of Directors, appreciation and thanks, not only to the staff and employees of the Company, whose efforts enabled the attainment of many target dates, but also to the Alberta and Quebec government authorities, personnel of the Canadian National Railways, and our contractors, without whose full interest and co-operation the successful completion of the various projects could not have been achieved.

AR23



SUITE 1200, 55 YONGE STREET
TORONTO 1, ONTARIO, CANADA